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The End of Globalization and the Last Illusion: Implications for Business Leaders

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Globalization, one of the most significant forces of human history, is nothing short of a miracle for human development around the world. The phenomenon lifted over a billion people out of extreme poverty (particularly in China and India), democratized access to goods and technology, and accelerated technological progress by allowing ideas and scientific breakthroughs to spread across borders faster than any prior era in history. However, globalization has been facing threats for the last few years taking the world towards fragmentation, a phenomenon labelled by economists as 'Slowbalization' and called by business leaders a nightmare (Aiyar & Ilyina, 2023).

There are several factors that are pushing globalization to the edge. To understand the phenomenon, we need to go bit further to the Cold War era when according to historians, globalization accelerated but geographically it truncated (Nayar, 2012). While the West became hyper-connected, the East however, remained a closed loop. The end of the cold war, however, triggered market-oriented capitalism and this phenomenon was labelled as a “final form of human government” by Francis Fukuyama’s 1992 book *The End of History and the Last Man*. The book labelled the end of cold war as an “apex moment” that is made possible with liberal democracy and material prosperity (Fukuyama, 2020). At the same time, Friedman’s flat world theory (Friedman, 2012), which saw businesses embrace outsourcing and global talent validated globalization as an unavoidable and irreversible force, mirrored the façade of material prosperity. The success of liberal democracy and the unavoidability of supply chains spanning continents attested to the inevitable nature of globalization.

Early Signs of Decline of Globalization

The flat world argument of Thomas Friedman was critiqued by Pankaj Ghemawat’s in a landmark book “Why the World Isn’t Flat,”. Ghemawat presented an alternate view to Flat world theory by making it clear

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that Globalization was an overstated phenomenon as most of the trade, investment, and communication still occurred within national or regional borders and further warned on taking “flat world” thesis seriously on account of ignoring the persistence of local realities and uneven global connections (Ghemawat, 2017). The central idea of Ghemawat, spotlighting how local influences are far more important for Globalization. Since last few years, we witness how trade wars, fragile supply chains, far-right politics, anti-immigration backlash across the globe has cut Globalization to size. Apart from such barriers to globalization, worsening inequality in developing countries too proved to be detrimental for Globalization as explained by the economist Joseph Stiglitzs in Globalization and its discontents. The thesis argued how imposing rapid capital-market liberalization and austerity on countries with weak institutions can trigger severe financial crises (Stiglitz, 2017).

The more recent downfall of the Globalization started with the U.S.–China trade war that became one of the defining economic conflicts of this century of the 21st century. President Trump responded to Chinese trade practices that contributed to a widening U.S. trade deficit by imposing tariffs on Chinese goods in 2018. As a result, US saw higher consumer prices, industrial stagnation in important sectors, and a renewed emphasis on domestic production and technological leadership . In response, China has strengthened regional ties, diversified its trade portfolio, and accelerated innovation. Such efforts as a result, rose Chinas export to $3.4 trillion while its imports declined slightly to $2.3 trillion bringing its trade surplus to about $1 trillion, proving how Donald Trump’s trade tariffs have failed to hold back China’s export dominance and it continues to be “factory of the world” (Kozul-Wright, 2025).

The Covid 19 crisis too put an additional blow to Globalization process mainly due to border closures. The crisis became so severe that General Motors and Ford manufacturing nearly halted due to global chip shortages. The automotive sector resulted in losses of over $200 billion in 2021. Similarly, Volkswagen-owned Opel closed its Eisenach plant in Germany in 2022 (Welle, 2021). The crisis in France too were visible as Stellantis paused operations at two French facilities due to semiconductor scarcity. The disaster spilled over other sectors as well. The health sector around the globe also got hit as COVID cases surged. Indias Serum Institute had to suspend exports of its Covishield vaccine for eight months to over 91 developing countries depending on those doses (Serum Institute, 2021). The expansion of BRICS has challenged the Western-led institutions leading for self-interests and independence of its member countries.

Strategic Framework for Leaders

What does are the imperatives for navigating a post-globalization world? According to Ghemavat(2017) managers need to correct the mental trap of Globalization by not assuming that the world is flat. Managers, furthermore, have been advised to adopt data driven decision making using indices like Global Connectedness Index, trade and FDI statistics. The traditional impressions and media headlines or political rhetoric do not provide the accurate picture that could be used for decision making. Further, since prioritising the local business interests are far more impactful, therefore nearshoring, friendshoring, dual sourcing, capacity buffers need to be given a serious thought (Altman & Bastian, 2023). As technologies’ role is even more prominent in the new world order, enterprises, therefore are advised to adopt atomization in as many business functions to make original products cheaper. Since globalization counterreaction stems from inequality, firms therefore must invest in developing new jobs, reskilling and community engagement. Leaders who acclimate with adaptability, foresight will shape the future of business and society (Jones & Krumbmüller, 2024).

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